

CC:P&SI-TR-45-1547-91
Br8:BWeberman

OCT 1 1991

Regional Technical Coordinator
Midwest Region

Assistant Chief Counsel
Passthroughs & Special Industries CC:P&SI:8

Technical Coordination Report No. 91-117
Originated by Revenue Agent David B. Nilles
Fargo District

This is in reply to your referral to us of Technical Coordination Report No. 91-117, initiated by Mr. Nilles with respect to section 4421(2)(B) of the Code. Section 4421(2)(B) provides that certain drawings held by organizations exempt from tax under sections 501 or 521 are not lotteries. The Report emphasizes the changes in state gambling laws that have occurred since enactment of section 4421(2)(B), the confusing nature of the provision, and the enforcement problems that have transpired. Mr. Nilles concludes that section 4421(2)(B) should be amended or repealed because of inequities it causes in the administration of the tax.

We are currently considering the various issues that have arisen in connection with the recent mushrooming of legal gambling activities, particularly by charitable organizations. Mr. Nilles' suggestions will be given consideration in our deliberations. Further, the Service's Legislative Affairs Division annually requests that this office make recommendations as to proposed revisions of the excise tax laws. We shall forward the report to Legislative Affairs in conjunction with our next submission.

We appreciate Mr. Nilles' and your interest and initiative in bringing this matter to our attention.

PAUL F. KUGLER
Assistant Chief Counsel

By: (signed) Jeffrey M. Nelson

JEFFREY M. NELSON
Chief, Branch 8

cc: David B. Nilles

008703